



**Piedmont
Natural Gas
Company**

Post Office Box 33068
Charlotte, North Carolina 28233

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T.R.A. DOCKET ROOM

January 6, 2005

The Honorable Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Nashville Gas Company, Docket No. ~~99-00207~~ 05-00008

Dear Chairman Miller:

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company ("Nashville") submits the accompanying quarterly report of shared gas cost savings for the period July 1, 2004, through October 31, 2004

As the summary indicates, the accumulated total gains and savings under the plan for this reporting period total \$3,896,322. Under the Plan's sharing formulas, \$2,296,323 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$1,600,000 of the gains and savings is reflected as the Company's share.

Detailed calculations supporting the amounts shown on the summary are provided in this filing subject to the execution of non-disclosure agreements.

I am enclosing one additional copy of the summary that I would appreciate your stamping "filed" and returning to me in the enclosed envelope.

Sincerely,

David R. Carpenter

Director of Rates

Enclosures

c: Russell Perkins, Deputy Attorney General

Report on Nashville Incentive Plan July 2004 - June 2005

Month	Year	Gas Procurement		Nashville		Ratepayer		Capacity		Nashville		Ratepayer		Total	
		Incentive	Mechanism	GPI	Sharing	GPI	Sharing	Management	Incentive	CMI	Sharing	CMI	Sharing	Gain/(Loss)	Gain/(Loss)
		Gain/(Loss) 1/	Gain/(Loss) 2/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss) 3/
July*	2004	\$ (26,996)	\$ -	\$ -	\$ (26,996)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (26,996)	\$ -
August	2004	\$ 13,517	\$ -	\$ -	\$ 13,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,517	\$ -
September	2004	\$ 15,007	\$ -	\$ -	\$ 15,007	\$ 19,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,299	\$ -
October**	2004	\$ 2,178,547	\$ 1,056,746	\$ 1,056,746	\$ 1,121,801	\$ 1,696,956	\$ 755,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,063,682	\$ 1,811,821
November	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
December	2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
January	2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
February	2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
March	2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
April	2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
May	2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
June	2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ 2,180,074	\$ 1,056,746	\$ 1,123,328	\$ 1,716,248	\$ 755,075	\$ 961,174	\$ 3,896,322	\$ 1,600,000	\$ 2,296,323	\$ -	\$ -	\$ -	\$ -	\$ -

1/ The monthly gain or loss set forth in this column reflects total gains or losses calculated under the gas procurement mechanism, including gains or losses within the one percent deadband

2/ Nashville GPI sharing reflects 50% of gains or losses calculated under the gas procurement mechanism after application of the one percent monthly deadband

3/ Nashville sharing percentages range from 0% (up to 1% of annual demand savings), to 10% (1% - 2% savings), to 25% (2% - 3% savings), and to 50% (> 3% savings) Total capacity demand costs for the period are based on estimated annual costs for the plan year These sharing amounts shall be adjusted based on the actual demand costs incurred, taking into account refunds or surcharges from pipeline and storage supplies (See Service Schedule No 14, page 5)

4/ Nashville is subject to a cap on overall gains or losses of \$1 6 million annually Any gains above this cap will be reflected in the Total Ratepayer Gain/(Loss) column

* Purchased Options

NON-DISCLOSURE AGREEMENT

Whereas, Nashville Gas Company (Nashville) has filed with the Tennessee Regulatory Authority (TRA) in Docket No. 99-00207 a summary of its shared gas cost savings for the period July 1, 2004 through October 31, 2004; and

WHEREAS, the TRA Staff, the Consumer Advocate and Protection Division of the State of Tennessee (Consumer Advocate) have been provided with supporting calculations for the summary information (Supporting Calculations); and

WHEREAS, Nashville believes that the disclosure of the Supporting Calculations to the public or to certain members of the public could adversely affect Nashville's ability to obtain favorable terms in future negotiations for gas supply; and

WHEREAS, Nashville has agreed to make the Supporting Calculations available to employees of the TRA Staff and employees of the Consumer Advocate (collectively, Authorized Agencies) on the condition that such persons execute this Non-Disclosure Agreement;

NOW, THEREFORE, the undersigned person agrees as follows:

1. The undersigned person is an employee of one of the Authorized Agencies and desires to review the Supporting Calculations solely for the purpose of reviewing Nashville's compliance with the TRA's orders in Docket No. 99-00207; and
2. The undersigned person will keep the Supporting Calculations in a secure place and will not permit them to be seen by any person who is not an employee of one of the Authorized Agencies who has executed a Non-Disclosure Agreement indicating his or her intent to comply with the terms hereof.
3. The undersigned person agrees that prior to the entry of an appropriate protective order he or she will not disclose any information obtained from reviewing the Supporting Calculations orally or in writing to any other person other than another employee of one of the Authorized Agencies who has executed a Non-Disclosure

Agreement and that upon the entry of an appropriate protective order he or she will comply with the terms thereof.

4. The undersigned person will not make copies of the Supporting Information or any portion thereof; however, the undersigned person may take notes on the Supporting Information in which event all such notes shall be subject to the terms of this Non-Disclosure Agreement.

Signature _____

Date _____